



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Baker to Convene Review of Regulation "Fair Disclosure"

On Thursday, Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee Chairman Richard H. Baker (LA) will gavel a hearing to review the Securities and Exchange Commission's (SEC) Regulation "Fair Disclosure." Entitled "Fair Disclosure or Flawed Disclosure: Is Reg FD helping or hurting investors?" the hearing will begin at 10 a.m. in room 2128 Rayburn Building.

"It's fundamental that the \$200 investor be treated with the same care as the \$2 million investor, and that a select few not be given unfair advantage over the many when it comes to crucial, market-sensitive information," said Baker. "The practical question for our hearing, however, will be to gauge whether Reg FD actually accomplishes these goals or has instead had unintended consequences of reducing disclosure across the board."

On August 10, 2000, the SEC adopted Regulation FD which became effective on October 23. The rule requires companies to disclose information "material" to trading decisions to the public and to market professionals generally at the same time. The question of exactly what information is "material" to trading decisions has been an unresolved topic of debate within the industry.

To date, the SEC has taken no enforcement actions for violations of the rule.

As the rule was being considered, and, in the wake of the rule's implementation, proponents of Reg FD have argued that it would help to level the playing field between individual investors and Wall Street analysts. Critics have said that the risk of incurring violations or liability would cause companies to release less information to the public, thereby hurting investors.

Some market observers have suggested a relationship between Reg FD and market volatility. In their view, information disclosures now result in more earnings surprises and therefore wider stock price swings.

House Financial Services Committee Chairman Michael G. Oxley (OH) said, “Now that Reg FD has been in place for some months, it’s a good time to evaluate whether it has lived up to its billing of improving individual investors’ access to quality information or whether it is preventing investors from getting the information they need.”

Testifying at Thursday’s hearing will be:

Panel I

- Laura Unger, Acting Chairman, SEC
- Isaac Hunt, Jr., Commissioner, SEC

Panel II

- Daniel Hann, Senior Vice President and General Counsel, Biomet, Inc.
- Patrick Sweeney, Director and General Counsel, Nomura Corporate Research and Asset Management Inc.
- H. Perry Boyle, Jr., Deputy Director of Research, Thomas Weisel Partners, LLC
- Thomas M. Gardner, Co-founder, The Motley Fool
- James Glassman, Resident Fellow, American Enterprise Institute; Host, TechCentralStation.com
- Stuart Kaswell, Senior Vice President and General Counsel, Securities Industry Association

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